Legal Private Practice
Hong Kong

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Introduction

Welcome to the Taylor Root Hong Kong Private Practice market report for 2012/2013. Our report includes an appraisal of the current market and hiring trends among law firms in Hong Kong. We have also included a salary survey which takes into account 2012 reviews. Information has been collated with input from our clients and candidates across Hong Kong.

Market Analysis

The recruitment of corporate finance associates slowed dramatically in mid-2011 and at the time of writing in Q3, 2012 it is yet to return to previous levels. Firms that have continued to recruit in this area are largely those that made recent Partner hires in early 2012 and are now looking to grow the team. Firms that hired aggressively in 2011, have not hired further associates this year for their corporate practices and we have seen redundancies made in some firms.

Despite the stagnant IPO market, we have seen firms continuing to recruit in almost all other practice areas. Banking and finance associates with strong Mandarin language skills are in demand, largely due to the relative scarcity of suitable qualified candidates in the market. Specialised areas of finance, such as debt capital markets, structured finance and derivatives have remained buoyant and the leading practices have continued to recruit. This work is mainly carried out by a handful of firms with strong reputations in this area. Other firms have tried to break into this space, seeing the potential growth in the market, but with limited success. The same can be said of the top-tier funds teams. However the area to have seen the highest level of recruitment is litigation. Specialised areas of litigation, such as financial services, contentious regulatory and FCPA are in particularly high demand, along with Chinese language skills and a Hong Kong qualification are almost always required.

Across all practice areas, firms have been more cautious about hiring. Whereas in previous years firms have on occasion compromised on the quality of candidates to relieve some of the pressure on their existing associates, any hires that are made now are part of a longer-term plan. Firms are therefore highly selective in their recruitment process. Opportunities not requiring Chinese language skills are now rare, meaning it is far harder for overseas candidates, even with experience in busy practice areas and from leading international firms, to move to Hong Kong without any prior experience of the region.

The fact that fewer firms are hiring also means there is less competition for talent, allowing firms to take their time to find someone who ticks every box.
An Overview

2011 through to 2012

2011 was a game of two halves in Hong Kong. The first half was extremely good, with firms putting the global financial crisis behind them and making confident hires in to their transactional teams. The second half was somewhat different, largely as a result of the Greek debt crisis and the downgrading of the US credit rating. Almost all corporate and finance lawyer hiring came to a standstill and this ran on in to the early part of 2012. Since early 2012 we have seen more optimism and appetite to hire strong lawyers. Litigation specialists have remained popular through the turbulent times, especially those with financial litigation and contentious regulatory expertise, as have more specialised lawyers experienced in funds and or non contentious regulatory work. Firms are always interested in speaking to strong senior level hires on a speculative basis, especially so when they have portable business or contacts.

As we approach 2013

So what lies in store for Hong Kong as we approach 2013? We expect to see an increase in smaller deal activity with mid market IPOs gaining momentum throughout the year. Small to medium size firms will be able to execute these deals at low cost often leaving the larger international players priced out. We will see an increase in reworking IPO plans and an increase in private equity deals and mergers and acquisitions as businesses look at alternatives for growth. In terms of hiring trends we expect to see more associates moving to US firms from non US firms largely attracted by the higher salaries on offer. While these new US firms may not have enough work to keep their employees at capacity they are prepared to take the risk. All firms will continue to have a very high bar in terms of quality and language skills.
The Market for Newly Qualifieds

The slow recovery of the regional economy following on from 2011 has demonstrated its effects on second-year trainees qualifying as NQs in 2012, predominantly influencing 1) retention rates; 2) salary rates and 3) rate of lateral hires.

Retention

2012 has seen the majority of second year trainees being retained by their firms, but not all. Firms that have had a good track record in the past for retaining all their trainees have not had the capacity to take on everyone this year. Many figures and surveys have shown that a high percentage (ranging 75-89%) of second-years are staying on with their firm as associates and it presents what might seemingly be a healthy retention rate. However, for that small remaining percentage of trainees that are not kept on, it still represents 1 to 3 trainees that are left with no jobs come September. In comparison to a more buoyant market, there has been a marked increase in the number of second year trainees that will have to seek alternative opportunities upon qualification.

Salary

Salaries for NQs in 2012 have not suffered when compared to salaries last year. For both UK and US firms, the NQ salary package has been maintained at roughly the same rate as last year, with perhaps a slight increase to take into account of inflation.

Lateral Hires

The general theme surrounding NQ retention this year is: uncertainty.

Second year trainees began exploring opportunities outside of their training firm much earlier on in the year than usual, as a result of ambiguous prospects at their firm. Contributing to this increase of interest for lateral NQ roles is a lack of information in relation to the process and timeframe for retention at their own firms.

Limited capacity amongst firms to retain their own trainees has had a knock-on affect on the availability of NQ roles in the Hong Kong market in 2012. Firms with their own trainees struggle to accommodate everyone and their preferences; and US firms, that previously raided UK and Australian firms for their NQs, don’t have needs this year having already previously taken on enough juniors.

Preferences

Preferences for areas of law upon qualification have changed noticeably over the years.

Corporate remains a popular choice for NQs but many have a preference for corporate practices without a strong IPO focus (rare in Hong Kong!). Although the number of trainees wanting to qualify into Corporate remains the highest, there is a distinct decrease in the proportion, either as a result of interest or strategy given the current economic state.

Interest in Litigation is on the rise, whilst Banking & Finance and Intellectual Property continue to garner its steady stream of popularity.

With international firms expanding their capabilities and exposing their trainees to a wider variety of work, there is increasingly more interest in some atypical areas for qualification, such as Regulatory, Asset Finance, Energy and Funds.

More NQs have taken note of international law firms’ progressively Sino-centric outlook and a larger number of candidates are interested in Beijing and Shanghai opportunities upon qualification. Such an option has become more widely available internally amongst certain international firms, which serves as a good method to retain more of their trainees.
Salaries & Benefits

International law firms (Australian and British firms)
The majority of UK and Australian law firms do not set their Hong Kong salary rates in line with what their headquartered offices pay. The Hong Kong offices tend to base their salaries on what their competitors are paying in the domestic market and other local factors such as living costs, charge out rates and office costs.

<table>
<thead>
<tr>
<th>PQE level</th>
<th>Monthly salary (HK$)</th>
<th>Median salary (HK$)</th>
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<tbody>
<tr>
<td>Newly Qualified</td>
<td>56,000 – 75,000</td>
<td>69,000</td>
</tr>
<tr>
<td>1 year</td>
<td>62,000 – 84,000</td>
<td>73,000</td>
</tr>
<tr>
<td>2 years</td>
<td>67,000 – 89,000</td>
<td>81,000</td>
</tr>
<tr>
<td>3 years</td>
<td>73,000 – 95,000</td>
<td>89,000</td>
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<tr>
<td>4 years</td>
<td>80,000 – 102,000</td>
<td>97,000</td>
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<tr>
<td>5 years</td>
<td>89,000 – 115,000</td>
<td>111,000</td>
</tr>
<tr>
<td>6 years</td>
<td>95,000 – 123,000</td>
<td>119,000</td>
</tr>
<tr>
<td>7 years</td>
<td>100,000 – 130,000</td>
<td>120,000</td>
</tr>
<tr>
<td>8 years</td>
<td>120,000 – 150,000</td>
<td>140,000</td>
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US law firms
The US law firms still maintain their ‘lock-step’ style pay systems where most Associates are paid the same rates as each other in their year groups and move up a band every year as they gain more seniority. Historically US firms in Hong Kong would only pay their US qualified Associates a New York level salary and their Commonwealth qualified lawyers would get something between a UK Magic Circle level salary and a New York level salary, commonly referred to as ‘Mid Atlantic Rates’. As more American firms enter the Hong Kong IPO market we are now seeing the Commonwealth qualified lawyers being paid the same New York level salary rates.

<table>
<thead>
<tr>
<th>PQE</th>
<th>Salary per annum US$</th>
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<tbody>
<tr>
<td>1 year</td>
<td>160,000</td>
</tr>
<tr>
<td>2 years</td>
<td>170,000</td>
</tr>
<tr>
<td>3 years</td>
<td>185,000</td>
</tr>
<tr>
<td>4 years</td>
<td>210,000</td>
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<tr>
<td>5 years</td>
<td>230,000</td>
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<tr>
<td>6 years</td>
<td>250,000</td>
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<tr>
<td>7 years</td>
<td>270,000</td>
</tr>
<tr>
<td>8 years</td>
<td>280,000</td>
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Cost of living allowance ‘COLA’
An additional COLA is often paid to US lawyers working in Hong Kong and can range from US$ 40,000 to US$ 80,000.
Established in the 1980s, Taylor Root is now widely recognised as being one of the world’s leading legal & compliance recruiters. Operating out of offices in the UK, Dubai, Singapore, Hong Kong, Sydney and Melbourne, we are ideally placed to assist legal & compliance recruitment on an international basis. Taylor Root has a strong track record in the recruitment of: Heads of legal and Legal advisers; law firm associates and partners; contract/locum lawyers; paralegals; company secretaries and compliance and risk professionals.

Taylor Root was one of the first dedicated legal recruitment companies to open an office in Hong Kong. Since opening in 1998 the business has grown and now boasts a market leading private practice and in-house capability. In 2010 Taylor Root opened an office in Singapore to meet the growing demand from clients in South East Asia.

Taylor Root is a contingency based recruitment company which means that we do not head-hunt or cold call candidates. We have maintained this approach as we like to deal with all law firms in the market and cannot be seen to be poaching from our clients. While some of our competitors now actively ‘search’ from their clients we stick to our principles. Taylor Root heavily invests in advertising and many of our candidates come to us through personal referrals.

Taylor Root is a member of The SR Group. The SR Group is a specialist recruitment consultancy dedicated to raising standards in the business environments that we serve. The sectors we cover include tax, legal, human resources, marketing and executive search, dealing with a substantial number of the world’s leading professional partnerships, multi-national corporations and international banking groups as well as small to medium sized developing organisations.

For more information on the Private Practice recruitment market in Hong Kong please contact a member of our team on: + 852 2973 6333

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